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30 August 1963

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CENTRAL INTELLIGENCE BULLETIN



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*South Vietnam: (President Diem is vigorously and emotionally defending the regime's policies toward the Buddhists and the role of his brother Nhu.)

(Diem told [redacted] the Buddhist issue was now entirely solved. It had been done, he said, with the help of "real" Buddhist leaders who previously had been shunted aside by Viet Cong cadres in the Buddhist ranks.)

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(Diem described the actions of Nhu as selfless, and he also praised his brothers Luyen--ambassador to London--and Thuc--archbishop of Hue.)

(Diem did not mention his other brother Can. Reports have indicated that Can, a longtime rival of Nhu, has lost influence in his headquarters at Hue, and the most recent report states that he has been placed under arrest on Nhu's order.)

(Diem expressed passionate indignation over attacks in the "irresponsible" US press against his family and his government.)

(Strenuous efforts to line-up support for the regime are continuing. A large rally by Nhu's Republican Youth movement is being planned in Saigon.)

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(Several generals reportedly feel that a coup attempt by Nhu is possible. They believe that such a move would provoke civil war.)

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(In a formal statement on 29 August about the situation in South Vietnam, Mao Tse-tung pledged support from the "Chinese people" in the fight against Diem and the US.)

(Like Ho Chi Minh, who had issued a similar statement on the previous day, Mao condemned the US for its "role" but showed no optimism concerning an early Viet Cong victory. His remarks appear intended primarily as a thrust at Khrushchev by contrasting Chinese support with Moscow's relative restraint on the issue.)

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India-USSR: (Moscow has informally told New Delhi that it is prepared to increase its economic aid substantially.)

(T. T. Krishnamachari, newly appointed finance minister, has informed Ambassador Bowles that Indian-Soviet aid discussions will open in a few weeks. New Delhi is counting on the Soviet bloc for about \$1 billion for the Third Five Year Plan, which is now at mid point. Bloc commitments to this plan at present slightly exceed \$600 million.)

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(The Indian Steel Ministry reportedly has proposed that New Delhi seek Soviet aid for the construction of the Bokaro steel mill. This proposal is awaiting action by Nehru. Foreign Ministry officials have given Nehru conflicting advice on the appropriateness of such a move at this time.)

(Krishnamachari believes that he can block this move. He suggested that foreign exchange for Bokaro might be diverted from other projects and hoped that the US might in turn provide funds for these projects.)

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India: Nehru's new cabinet appointees are prominent, competent men without significant political influence.

The ministers named yesterday are replacements for three strong party leaders who, in accordance with a Congress Party proposal, recently left the cabinet to devote their energies to party organizational work. The choices conform with the party's and Nehru's hope that party work will gain in prestige compared to cabinet responsibility.

As finance minister, Nehru has named T. T. Krishnamachari, a former holder of this position and an extremely competent technician. Rumors that Krishnamachari might also assume the planning portfolio suggest that he may become the cabinet's economic czar.

The new ministers for Home Affairs and for Food and Agriculture, Gulzarilal Nanda and Swaran Singh, are generally regarded as able if undistinguished. They have long held other lesser cabinet posts. Nanda is a socialist, somewhat to the left of Nehru. Neither Singh nor Krishnamachari has an ideological tag that is distinguishable from Nehru's.

Replacements for three lesser cabinet posts are still under consideration.

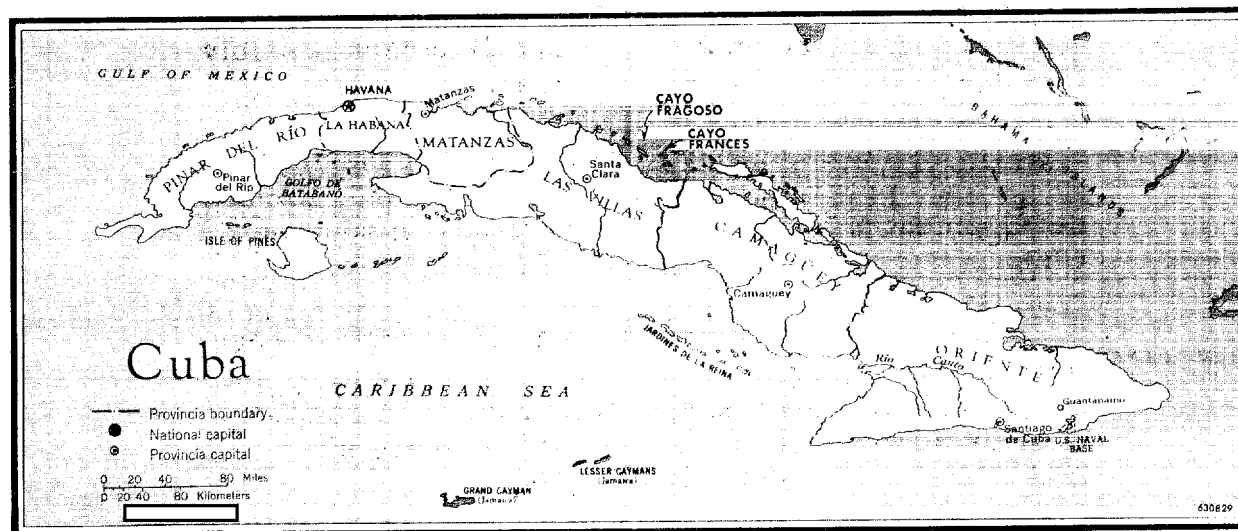
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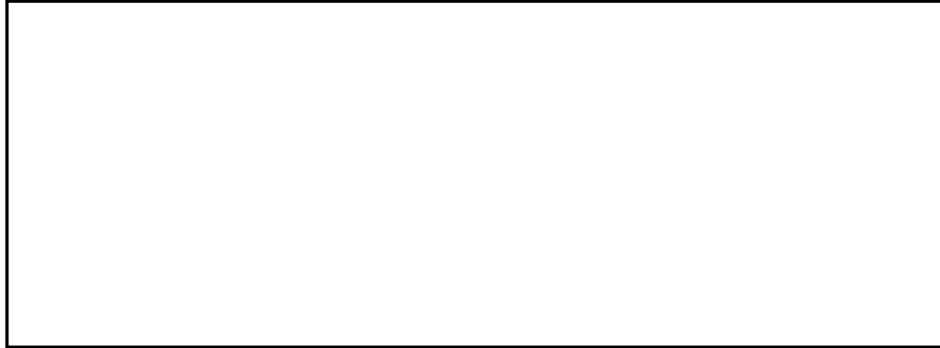
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NOTES

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Cuba: The construction activity which began on Cayo Frances and Cayo Fragoaso early this year appears to be part of an extensive Soviet oil exploration program. Large foundations on the north side of Cayo Frances, which were earlier suspected of having some military purpose, are probably for racks to hold pipe for drilling. Geophysical maps made by a US oil company which had exploration rights in this area indicate that it has only a limited potential for petroleum production.

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Uruguay - Communist China: Uruguay has reportedly granted Communist China permission to establish a trade office in Montevideo. Two New China News Agency officials have been in Montevideo negotiating the agreement. Although Uruguay is interested in expanding its exports to Communist China, there is little prospect of a sizable increase in the present low level of trade between the two countries. The Chinese will probably use the new office as an outlet for pro-Peiping propaganda.

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Peru: Czechoslovakia has been granted permission to have a pavilion at the Lima Trade Fair in late October, according to the US Embassy in Bolivia. The Peruvian Government also is said to be considering a Prague request to establish a commercial representative in Lima. There have been no diplomatic relations between the two countries since 1957, when the Czechoslovak consulate was closed at Peru's request. [REDACTED]

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